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September 13, 2004

**VIA FACSIMILE (202) 219-3923
AND U.S. MAIL**

Office of the General Counsel
Attention: Mr. Roy Q. Luckett
Federal Election Commission
999 E Street, NW
Washington, D.C. 20463

RE: MUR 5514
Greg Smith

Dear Mr. Luckett:

This letter is a response by Greg Smith to the letter from Bradley A. Smith, received on August 30, 2004, in the matter of the file referenced above.

FACTUAL AND LEGAL ANALYSIS

I. There is no response to this section (Generation of Matter) of Mr. Smith's Factual and Legal Analysis at this time. However, it is believed that the source of this complaint is attempting to use the Federal Election Commission to promote and advance private interests, and obtain a favorable posture in civil litigation pending in the Circuit Court for Cleburne County, State of Arkansas.

II. There is no need to provide a detailed response to this section of Mr. Smith's Factual and Legal Analysis at this time because the applicable law is for the court to interpret. However, it is forcefully maintained that Greg Smith knew and understood, to the extent a layman¹ could, the requirements of law regarding election campaign donations and that he forcefully ensured that neither he nor Community Water Services (hereinafter referred to as "CWS") violated any of those provisions.

¹ Mr. Smith is an engineer, not an attorney.

III. Facts and Analysis:

A. Shelly Davis' Memorandum

The only information available to anyone alleging illegal campaign contributions and fraudulent invoices emanates from Shelly Davis, either in oral form or in the form of her memoranda and e-mail. There is no other evidence available to anyone; therefore, the entire set of allegations is based upon the unsupported claims and interpretations of Ms. Davis. All of them are false statements or misguided and misleading compilations of fragments of comments and statements taken out of context. She has woven together an incredible yarn which is a simply an untrue claim for which no evidence exists. It would be a Herculean task and conspiracy to pull off the scheme she alleges; it would take a cadre of lying professionals, lying accountants, lying secretaries, lying employees and monumental coordination of all of the above to carry it out. No professional would risk his or her professional reputation and license for the paltry gain available in this matter. Rather, there is considerable evidence to rebut and refute those allegations, however, Greg Smith and Jim McNeil have never been given an opportunity to have that evidence heard in a neutral forum. The accusers denied all requests by Greg Smith and Jim McNeil for a fair hearing on the accusations before a neutral hearing examiner or arbitrator. And to this day, they refuse and are unwilling to go into any hearing forum to bring forth the evidence they claim is the basis for these accusations.

The Board of Directors of Community Water Service based the summary termination of Mr. Smith and the dismissal of Mr. McNeil from the Board of Directors and cancellation of an engineering contract that entity had with Mr. Smith almost entirely² on the allegations by Shelly Davis. The termination was wrongful and the termination of the contract was improper, therefore, Mr. Smith began civil litigation against the entity and individuals publishing the false allegations regarding, inter alia, the campaign contributions. That litigation is currently in the discovery phase and it is believed that the complaint before the Federal Election Commission was largely initiated by persons who have something to gain in the civil litigation.

After the allegations surfaced Mr. Smith caused an investigation to be conducted to determine what evidence existed in support of those claims. Each vendor named in the scheme to obtain funds from CWS was interviewed and the allegedly false invoices were subjected to close and extended examinations. What was learned was that each and every vendor strongly denied the allegations and produced work product to support each and every invoice. Project account records, independent accounting records and individual

² Additional charges included claims of being abusive to employees, failure to keep the board informed and other equally nebulous claims for which no evidence exists in support thereof and substantial evidence exists in refutation. However, the Board of Directors refused to give Mr. Smith a fair hearing on those charges and terminated him and promoted Shelly Davis.

testimony all reveals that the allegations are spurious. All of that evidence is in the possession of each of the contractors, the vendors, the licensed professionals and CWS.

The attorney representing CWS, Mr. Heartsill Ragon III, of Gill, Elrod, Ragon, Owen & Sherman, P.A., was subjected to a close examination in which the vendors and the senior attorney in his law firm, John Gill, and the attorney representing CWS, Mr. Richard Mays of the Mays Law Firm participated. Each vendor denied the allegations and Mr. Heartsill Ragon III, specifically denied the allegations. Mr. Mays examined also Mr. Ragon who continued to deny the allegations made by Ms. Davis. Further, Mr. Ragon repeated the assurances that each and every invoice from the Gill Law Firm was supported by billable hours he worked on behalf of CWS in connection with the Lonoke-White Counties Water Supply Project. Again, repeated requests were made by Mr. Smith and Mr. McNeil for a fair, open hearing on all the alleged evidence said to exist in this matter were denied by Mr. Mays³ and the Board of Directors.

Mr. Preston Bynum was also interviewed and he also strongly denied the allegations made by Ms. Davis. Based upon the investigation conducted on behalf of Mr. Smith and Mr. McNeil, it was found that the allegations made by Ms. Davis were based on fragments of telephone conversations between Mr. Smith and Mr. Bynum on which Ms. Davis eavesdropped⁴. She took perfectly innocent statements out of context and strung them together with other statements to fabricate a lie which she now claims is the truth. Again, as to these items, the CWS Board of Directors refused to submit the allegations to a neutral fact finding hearing.

The invoices with handwritten notes in the margin, other written documents such as e-mail letters, some with handwriting notes on them, all consist of nothing more than an edited monologue by Ms. Davis misrepresenting facts, or casting her own interpretation of facts which is without a factual basis. Similarly, the newspaper articles, which are said to recite events, are facts created by Ms. Davis in her monologues to the Board of Directors, or in e-mails to Barbara Sullivan a member of the CWS Board of Directors. Close examination of each of these items would reveal the ultimate source to be, again, Ms. Davis. No evidence exists to support these allegations.

Substantial evidence exists to prove the allegations by Ms. Davis are untrue and were undertaken in retaliation for the refusal of Mr. Smith to recommend her for promotion. An adversary hearing, if one is required, would be welcomed.

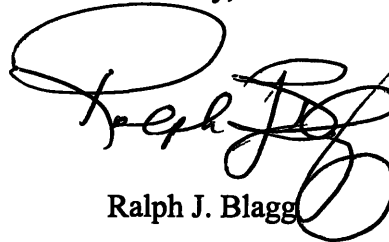
³ Mr. Mays also filed a complaint with the Arkansas Supreme Court alleging that one of those helping Mr. Smith was engaged in the unlawful practice of law. Nothing came of that complaint and it is believed it was dismissed when no evidence was determined to exist.

⁴ It is to be noted that she did not tape record these alleged conversations because that would prove her fabrications.

B. Analysis

Unfortunately, the analysis in the Factual and Legal Analysis submitted as an enclosure to Mr. Smith's letter is based upon nothing more than the unsupported allegations of Ms. Shelly Davis. No solid evidence exists to support any of her claims, which is why the Board of Directors refused to allow Mr. Smith to have the charges heard in an open and neutral forum. Standing in contrast to the allegations by Ms. Davis will be substantial volumes of documents, work sheets, accounting records, testimony of many witnesses and other evidence, which can be brought forward if necessary. However, the Board of Directors knew full well that neither Mr. Smith nor Mr. McNeill had sufficient assets to support such an undertaking and, thus, they felt confident in taking the arrogant actions they did without fear of accountability. They did not expect, however, that Mr. Smith would initiate the civil litigation now under way in a Circuit Court of the State of Arkansas, and the complaint received by the Commission is an attempt to harass him and intimidate him into financial exhaustion so as to favorably enhance their position in that litigation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ralph J. Blagg', with a large, stylized flourish at the end.

Ralph J. Blagg

RJB/sd

Cc: Greg Smith

AFFIDAVIT OF GREG SMITH

Greg Smith, being first duly sworn upon oath, deposes and says:

"1. I am an adult resident of Van Buren County State of Arkansas and make this Affidavit of my own knowledge, save and except for that which is stated upon information and belief, and as to those statements I believe them to be true.

2. From March 1990 until December 2002 at which time the Board of Directors summarily terminated me, I was employed by Community Water Services (hereinafter referred to as CWS) serving at the end as its manager and chief executive officer.

3. Part of my duties and responsibilities was to supervise all personnel including the recommendations for employment and termination. Towards the end of my employment we learned that the position of CWS controller was held by a person who was not able to competently perform the duties and responsibilities of that office and she was terminated. Shelly Davis approached me several times about being promoted to that position and I declined to do so because of a lack of qualifications. That failure upset Ms. Davis who then began to monitor my activities to keep a record of events and matters she alone considered to be improper, unethical or unlawful.

4. Without my knowledge she began to make copies of company documents and adding margin notes of her interpretations and also eavesdropped on my telephone conversations with other professionals employed by CWS.

5. During this period of time I was working on a project known as the Lonoke-White Counties Water Project that was designed to distribute water to wholesale and retail customers within that service area. Part of my duties required me to obtain public or private construction financing from whatever source possible. Some of those funds were available from both the U.S. Government and the State of Arkansas; therefore, I sought and obtained help from elected officials. In so doing, after obtaining references and disclosing his background, the Board of Directors of CWS retained the services of a professional lobbyist, Mr. Preston Bynum. Additionally, I asked friends, professional associates and anyone I could approach, to contribute to the election campaigns of those elected officials. In so doing I was careful to make sure they understood that any such contributions must come from their own funds, not from corporate funds.

6. The efforts described in paragraph 5 above were part of my obligations to CWS and for the benefit of CWS. At no time did I ever enter into any scheme or conspiracy with anyone to formulate, advance or participate in a plan whereby any vendor of CWS was to submit false or fraudulent invoices in order to obtain CWS funds to contribute to election campaigns. Any allegations to the contrary are false, untrue and simply lie.

7. I examined each and every invoice that came into CWS for payment and each and every one was tied to a project expense. After verification the funds were actually earned and were due and payable, I authorized payment over that invoice. Shelly Davis had access to those

invoices and made handwritten editorial changes on some of them without checking with me or asking me about them.

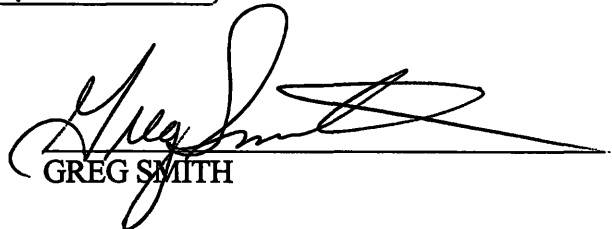
8. I did receive invoices from Heartsill Ragon III, the CWS attorney and member of the Gill Law Firm in Little Rock, Arkansas. Some of those invoices were not sufficiently detailed so as to allow for verification the work had actually been performed and were rejected. I would not allow payment over an invoice that did not adequately describe the work performed so that it could be verified and charged to the proper account number. Apparently Ms. Davis eavesdropped on one or more of those discussions with Mr. Ragon telling him that the invoice (or invoices) was inadequate and describing that they had to detail the work performed. She then fabricated a story that implied that the invoices were false and created for the purpose of reimbursement of campaign funds. Those statements were false.

9. After the allegations surfaced I caused an investigation to be conducted and each vendor, including Mr. Ragon, was interviewed and each one denied any involvement in a scheme to fraudulently recover funds to reimburse them for their campaign funds. This investigation included a joint interview of each vendor with the participation of Mr. John Gill the senior attorney in Mr. Ragon's law firm, and Mr. John May the attorney for CWS. During those interviews, each vendor strongly denied complicity in any such scheme and Mr. Ragon strongly denied any participation in such a scheme. Extensive record reviews were conducted and extensive interviews of other persons were conducted and I learned that there did not exist any believable evidence (the monologues and altered records by Ms. Davis was not believable evidence) to support the allegations.

10. The CWS Board of Directors refused to grant me a hearing to have the allegations tested in arbitration, or other forum, before a neutral fact finder. Therefore, I initiated civil litigation against Ms. Davis, members of the Board of Directors, and CWS for damages, which is pending as Civil File No. CV2003-270 in the Circuit Court for Cleburne County Arkansas."

Further, affiant sayeth not.

Dated this 13th day of September, 2004.

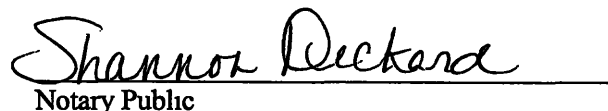

GREG SMITH

STATE OF Arkansas }
COUNTY OF Van Buren }

Subscribed and sworn to before me this 13th day of September, 2004.

OFFICIAL SEAL
(SEAL) SHANNON DECKARD
NOTARY PUBLIC - ARKANSAS
VAN BUREN COUNTY
My Commission Expires 03-08-2005

My Commission Expires: 5-8-2005


Notary Public